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is to be the main reliance of warring peoples, the method of borrowing urged by Professor Hollander should be given careful consideration.

Resort to credit expansion as a last alternative should prove somewhat, and might prove very much, more satisfactory than a policy which subjects economy and thrift to the unfavorable influences of inflation.

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Money and Prices. By J. LAURENCE LAUGHLIN. (New York: Charles Scribner's Sons. 1919. Pp. xi, 307. \$2.50.)

After stating his well known theory of prices, Professor Laughlin investigates in great detail the long-time swings of prices from 1850 to the end of the European war. The fruit of these studies is such as to convince the author of the soundness of his hypothesis that the more important price movements cannot be explained on the basis of the quantity of money in circulation or the volume of credit devices. So far as the amount of gold coin or standard money is concerned there normally cannot be a sufficient fluctuation to account for any exaggerated swing. As regards credit, particularly bank deposit credit, the author would remind us that the price making process usually precedes the creation of credit. For "any one will see at a glance that the forms of credit, such as bills, drafts, etc., arising for instance from the wheat crop, have no effect on the price of that crop—the price having been made antecedent to the creation of the forms of credit which came into existence only because of the actual sales of the wheat." In other words, the volume of credit adjusts itself to rather than determines prices. More important, therefore, as price determinants, should be such factors as trade combinations and monopolies, tariffs and trade unionism, consumers' extravagance, and wasteful methods of market distribution. And in each of the periods whose price movements are examined the author finds a wealth of data to support his position.

While much of this would be granted by any monetary theorist, few will be unable to find in the pages of this work sufficient ground for extensive controversy. Despite the author's statistics, new accretions of gold seem in more than one period of pronounced price change to have been much more important than we are led to believe. At least since 1914 money imports must account for

a large fraction of the gold now in the country. Most students will also find much from which to dissent in following through the argument that credit is comparatively unimportant as a price-determining factor because it is usually called into being after prices have been fixed. Does not the *availability* of credit have considerable to do in determining whether and at what prices transactions shall be made? And after the credit has once been created does not its use affect the money offerings for goods on the part of those to whom this credit may have been transferred? The general reader, therefore, will no doubt regret the author's refusal to delve more deeply into the question of the power of unused bank credit to work itself into prices through affecting business confidence and entrepreneurial activity. This is all the more disappointing in view of the recent explanation of Governor Harding of the Federal Reserve Board that the increased volume of bank credit is the result, not the cause, of enhanced prices. The reviewer believes that the practical application of this theory is responsible for no small measure of the present economic discontent and of the agitation over the high cost of living.

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